



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 3/31/2004

GAIN Report Number: MX4044

Mexico

Agricultural Situation

Weekly Highlights & Hot Bites, Issue #13 2004

Approved by:

Lisa Anderson
U.S. Embassy

Prepared by:

Bruce Zanin, Kate Snipes, Benjamin Juarez, Dulce Flores and Salvador Trejo

Report Highlights:

- *KELLOGS TO ADD A THIRD PRODUCTION FACILITY IN MEXICO
 - *ANTAD 2004 RESULTS: US\$13 MILLION IN PROJECTED ANNUAL SALES FOR U.S. COMPANIES
 - *THE EVALUATION OF THE AGRICULTURE NAFTA CHAPTER STILL PENDING
 - *HORTICULTURAL EXPORTS FROM MICHOACAN INCREASE
 - *GOM AGREEMENTS ON DRY BEAN PRODUCTION; A BACKWARD MOVEMENT
 - *FARMERS CELEBRATE LOCAL ALTERNATIVES TO U.S. CORN
 - *JAPAN CAUTIOUS OF MEXICAN IMPORTS OF U.S. BEEF
-

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1]
[MX]

.....

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

.....

KELLOGGS TO ADD A THIRD PRODUCTION FACILITY IN MEXICO

Kellogg is planning to open a third plant in Mexico that will produce only cereal bars. This plant will go into operation by year's end in the industrial city of Toluca. It represents an investment of US\$35 million and will employ 250 people. With this plant, Kellogg expects to augment its market share in cereal bars by ten percent. Presently in Mexico, Kellogg accounts for 60 percent of cereal sales and 50 percent of cereal bar sales, respectively. Its principal competitors are Nestle and Quaker Oats. (Source: *El Financiero*, 3/24/04)

ANTAD 2004 RESULTS: US\$13 MILLION IN PROJECTED ANNUAL SALES FOR U.S. COMPANIES

The 7th Annual U.S. Pavilion at ANTAD sponsored by ATO Mexico City included 32 businesses and eight trade associations. The annual ANTAD show is Mexico's largest and most prestigious show targeting the country's rapidly growing supermarket and retail food sector industry. ANTAD 2004, held from March 13 to 15, hosted 16,000 representatives of businesses, including many buyers from major supermarkets, wholesale food distributors, and hotel and restaurant chains. Twelve month projected sales of those exhibiting in the U.S. Pavilion are estimated at over US\$13 million. (Source: ATO Mexico City, 3/24/04)

THE EVALUATION OF THE AGRICULTURE NAFTA CHAPTER STILL PENDING

According to the Secretariat of Economy (SE), the agreement to evaluate the NAFTA agricultural chapter stated in the National Agreement on Agriculture is still effective. The SE will make an announcement regarding the study on April 5, 2004. The SE stated that the evaluation should be finished before December 31, 2004, but "given the complexity of the study" extensions have been requested and granted. (Source: *El Financiero*, 3/26/04)

HORTICULTURAL EXPORTS FROM MICHOACAN INCREASE

Horticultural exports from the state of Michoacan increased more than 250 percent in the last five years, which makes Michoacan the state that exports the most agricultural products in Mexico. The State Delegate of the Secretariat of Economy, Gilda Aurora Trujillo, confirmed this. She indicated that agricultural products with the highest demand were tomatoes, blackberries, mangoes, papayas and avocados. Avocados are exported to Morocco and Germany and producer countries like Chile. Approximately 1,683 shipments of avocados were sent to the United States. (Source: *La Jornada*, 3/28/04)

GOM AGREEMENTS ON DRY BEAN PRODUCTION; A BACKWARD MOVEMENT

According to the National Association of Commercialization Companies of Agricultural Products (ANEC), the agreements between the Ministry of Agriculture (SAGARPA) and farmers groups to support dry bean production are a backward movement (see MX3143 and MX3167). Victor Suarez, ANEC's advisor and PRD congressman, stated that with these agreements, SAGARPA has gone back to the days of Conasupo (a former governmental company) that used to set up the target prices for dry beans. The difference, Suarez said, is that now a private company, ALMER, is fulfilling this role. SAGARPA entered into these arrangements with the states of Zacatecas, Durango and most recently, Nayarit. The agreement with Nayarit implies that farmers will sell their beans to an ALMER storage center, which will pay a target price (6.75 pesos per kilogram). SAGARPA would support this target price. Victor Suarez pointed out this kind of agreement discourages farmers' participation in the sale process. (Source: *El Financiero*, 3/24/04)

FARMERS CELEBRATE LOCAL ALTERNATIVES TO U.S. CORN

On Saturday, March 20, 2004, in the community of Tlaxcala, Vicente Guerrero, the 7th Annual Corn Festival under the Project for Integral Rural Development was celebrated. Over 300 small farmers and advocates of sustainable development came from all over Central Mexico to celebrate the town's efforts to strengthen *campesino*, or small farmer, identity through its connection to Mexico's most fundamental product, corn. Rogelio Sanchez Ledezma, coordinator of the Vicente Guerrero project, worries about the impact of corn imports. "We are going to fall into complete dependence if we don't do something fast," he claims. Since the implementation of NAFTA in 1994, Mexico has seen corn imports from the United States rise to six million tons per year. While this subsidized U.S. corn has caused market prices to fall, this is not the only threat to small farmers in Mexico. Last week a panel organized by the Commission for Environmental Cooperation, part of a NAFTA side agreement, concluded that genetically modified corn imported from the United States threatens the diversity of Mexico's near 60 seed varieties. The panel is expected to call for a plan to label and track genetically altered corn and for a program to educate farmers to refrain from planting corn imported from the United States. Despite such recommendations, it is doubtful that the government will provide the funds to carry out such programs.

Mexico has been unable to enforce a ban on planting modified corn it passed in 1998. As a result, contamination of native corn by transgenic has already been documented in Puebla and Oaxaca, with additional studies claiming the contamination is more widespread. Vicente Guerrero is taking its own protection measures. "Corn is a form of cultural resistance," claims project member, Pablo Garcia Hernandez, "and this Corn Festival represents just that." The Festival began in 1998 as a means to gather together local producers and encourage the exchange of diverse corn seeds. Sanchez Ledezma recalls how many communities at that time were buying more and more seeds from U.S. producers such as Monsanto, an agro-corporation based in Missouri, which also pioneered genetically modified products. At this year's event, Catherine Marielle, Program Coordinator of the Environmental Studies Group (GEA), spoke on the risks of genetically altered seeds. "When food production is focused in laboratories," she warned, "it escapes from the hands of *campesinos*." Each year, the Festival allows the Vicente Guerrero project to replenish its seed bank, an institution that provides native seeds to local farmers. In this way, farmers can avoid prohibitive interest rates when taking out loans to purchase commercial seeds. The seed bank also serves as a reserve for the entire community to retain the diversity of seeds, since most small producers only plant a few varieties each season. (Source: *El Universal*, 3/24/04)

JAPAN CAUTIOUS OF MEXICAN IMPORTS OF U.S. BEEF

According to a local newspaper, the Government of Japan recommends that Mexico take extreme precautions with beef imports from the United States to avoid jeopardizing human health in Japan because of BSE. The Japanese are watching this situation carefully because of the recently signed Mexico/Japan Trade Agreement that allows Mexico to export to Japan a yearly quota of six thousand tons of duty-free beef meat. (Source: *El Financiero*, 3/26/04)

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

Number	Title	Date
MX4039	Weekly Highlights & Hot Bites Issue #12	3/23/04
MX4040	BSE Update Fourth Edition	3/24/04
MX4041	Mexico Establishes New Procedures for the Import of Live & Dead Crustaceans	3/26/04
MX4042	Tobacco Annual Report	3/29/04
MX4043	Cancellation of PROY-NOM-EM-014-RECNAT-2001	3/29/04

We are available at <http://www.fas-la.com/mexico> or visit our headquarters' home page at <http://www.fas.usda.gov> for a complete selection of FAS' worldwide agricultural reporting.

FAS/MEXICO EMAIL

To reach us at FAS/Mexico City:

AgMexico@usda.gov and/or ATOMexico@usda.gov